

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 2901 – SB 3047**

February 4, 2010

**SUMMARY OF BILL:** Exempts from state and local sales and use tax any diabetic testing equipment or supplies for human use.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue – Exceeds \$2,570,400**

**Decrease Local Revenue – Exceeds \$918,000**

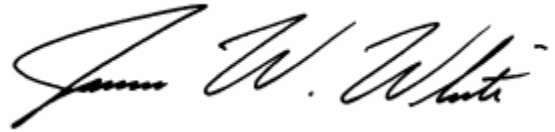
**Assumptions:**

- Total industry sales for all diabetic testing equipment and supplies could not be determined; industry sales for diabetic test strips were obtainable.
- According to the Department of Revenue (DOR), the diabetes test strips market in the United States was approximately \$3.0 billion in calendar year 2008.
- National test strips market remains constant in subsequent years.
- According to the U.S. Census, the estimated population in Tennessee during 2009 was 6,296,254; the estimated population for the United States is currently 308,578,477.
- The population in Tennessee accounts for 2.04 percent of the national population ( $6,296,254 / 308,578,477 = 2.04\%$ ).
- Tennessee accounts for 2.04 percent of the national test strips market (\$61,200,000).
- According to DOR, test strips which are used in hospitals and ordered via prescription are currently exempt from sales tax.
- Forty percent of test strip market in Tennessee (\$24,480,000) is estimated to pertain to strips used in hospitals and ordered via prescription.
- The sales taxable test strips market in Tennessee is estimated to be \$36,720,000 per year ( $\$61,200,000 - \$24,480,000 = \$36,720,000$ ).
- The state sales tax rate is currently seven percent.
- The average local option sales tax rate is estimated to be 2.5 percent.
- The decrease to state revenue is estimated to exceed \$2,570,400 per year ( $\$36,720,000 \times 7.0\% = \$2,570,400$ ). This estimate takes into consideration the test strip market as well as the market for all other diabetic testing equipment.
- The decrease to local revenue is estimated to exceed \$918,000 per year ( $\$36,720,000 \times 2.5\% = \$918,000$ ). This estimate takes into consideration the test strip market as well as the market for all other diabetic testing equipment.

**HB 2901 – SB 3047**

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large, stylized initial "J".

James W. White, Executive Director

/rnc